

Message Text

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E.O. 11652: N/A

TAGS: EMIN, AS, PP

SUBJECT: OK TEDI COPPER PROSPECT IN PAUPA NEW GUINEA

1. AUSTRALIAN PRESS REPORTS THAT THE INTERNATIONAL CONSULTANTS BEHRE DOLBERA (U.S.) HAVE SUBMITTED A REPORT ON THE OK TEDI COPPER PROSPECT TO THE GOVERNMENT OF PAPUA NEW GUINEA (GPNG)-OWNED COMPANY, OKTEKI DEVELOPMENT COMPANY. DIRECTORS OF OK TEDI DEVELOPMENT ARE REPORTED TO HAVE SAID THAT THE RESERVES ARE LARGE ENOUGH TO MAKE THE PROJECT QUITE REASONABLY PROFITABLE IN THE LONG TERM.

2. THE CONSULTANT'S REPORT STATES THAT THE DEPOSIT CONTAINS AT LEAST 250 MILLION TONNES OF COPPER ORE RECOVERABLE BY OPEN-PIT MINING. THE ORE AVERAGES 0.75 PERCENT SULPHIDE COPPER, 0.012 PERCENT MOLYBDENUM, AND 0.653 GRAMS OF GOLD PER TONNE. THE PLANNED OPEN PIT ALSO CONTAINS 25 MILLION TONNES OF GOLD ORE AVERAGING 2.861 GRAMS OF GOLD PER TONNE.

3. THE NEW RESERVE CALCULATIONS ARE AN INCREASE OVER THE RESERVE ESTIMATES OF 137 TO 150 MILLION TONNES (AVERAGING 0.88 PERCENT COPPER) MADE BY KENMHCOTT COPPER CORP. IN 1974. THE RESERVES FIGURES NOW ARE REPORTED TO BE SUFFICIENT

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TO JUSTIFY A PLANNED THROUGHPUT OF 40,000 TO 50,000

TONNES OF ORE PER DAY.

4. OUTSIDE THE PLANNED OPEN-PITLIMITS THERE ARE ABOUT 55 MILLION TONNES OF ORE AVERAGING 0.57 PERCENT VPPER. THE ADJACENT UNDERGROUND ORE BODY AT GOLD COAST HAS 26 MILLION TONNES OF HIGH GRADE ORE AVERAGING 2.23 PERCENT TOTAL COPPER AND 1.791 GRAMS OF GOLD PER TONNE.

5. IN MARCH, 1976, THE GPNG AND BROKEN HILL PROPRIETARY CO. LTD. (BHP), ENTERED INTO AN OPTION AGREEMENT WHEREBY BHP WOULD LOOK AT THE ECONOMIC FEASIBILITY OF FORMING A CONSORTIUM TO MINE THE ORE BODY. INITIALLY, BHP WAS TO HAVE THE CONSORTIUM FORMED BY JUNE 30, 1976, BUT AN EIGHT-WEEK EXTENSION HAS BEEN GIVEN BY THE GPNG.

6. EMBOFF DISCUSSED THE BEHRE DOLBEAR REPORT WITH OFFICIALS OF BHP, KENNECOTT COPPER, AND A FORMER CONSULTANT FOR KENNECOTT. AS FAR AS WE ARE AWARE, KENNECOTT HAS NO FURTHER INTEREST IN THE OK TEDI DEVELOPMENTS.

7. BHP THINKS THAT THE OK TEDI PROJECT HAS POTENTIAL, BUT THEY THINK THAT BEHRE DOLBERR'S 0.75 PERCENT COPPER SULPHIDE CALCULATIONS ARE HIGH. BHP HAS CALCULATED THEIR OWN CONFIDENTIAL RESERVE AND ORE-GRADE FIGURES WHICH THEY CANNOT MAKE AVAILABLE AT THIS TIME.

8. EMBOFF WAS TOLD THAT A MINIMUM OF 250 MILLION TONNES OF 0.75 PERCENT COPPER SULPHIDE WOULD BE REQUIRED TO MAKE OK TEDI ECONOMICALLY VIABLE. THE OPEN CUT SHOULD HAVE RESERVES FOR 12-15 YEARS, AFTER WHICH IT COULD BE ECONOMICALLY FEASIBLE TO GO UNDERGROUND FOR A SLIGHTLY LOWER GRADE COPPER ORE.

9. EMBOFF UNDERSTANDS THAT THE ARRANGEMENT BETWEEN GPNG AND BHP IS A LOOSE FORM OF AGREEMENT. BHP WILL HAVE AT LEAST ANOTHER YEAR TO GET PARTNERS FOR THE CONSORTIUM IF THEY INTEND TO PROCEED WITH THE PROJECT.

10. COMMENT: IT APPEARS THAT BHP IS INTERESTED BUT LIMITED OFFICIAL USE

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NOT FULLY COMMITTED TO THE OK TEDI PROJECT. BHP WILL PROCEED WITH FURTHER EXPLORATORY DRILLING, BUT THEY WILL NOT BE RUSHED INTO FORMING A CONSORTIUM OF GIVING THE GPNG A FIRM COMMITMENT TO DEVELOP THE MINE. EVEN IF THE PROJECT PROCEEDS, INDICATIONS ARE THAT OK TEDI COULD NOT COME ONSTREAM BEFORE 1983 OR 1984 AT THE EARLIEST.
HARGROVE

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